



SENATOR RUNNER'S WEEK IN REVIEW

A WEEKLY REVIEW THAT WILL KEEP YOU INFORMED AND UP-TO-DATE



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Introduction

On June 28, 2006, the U.S. Department of Health and Human Services released interim final regulations to implement statutory changes to the Temporary Aid for Needy Families (TANF) program made in the Federal Deficit Reduction Act of 2005 (DRA). California's TANF program, known as the California Work Opportunity and Responsibility for Kids (CalWORKS) program, gives cash aid and services to eligible, needy California families.

The federal legislation reauthorized TANF and requires states to increase their efforts to reduce welfare dependency and move able-bodied recipients towards self-sufficiency through work-related activity. Failure to meet work participation rate (WPR) requirements can result in a penalty equivalent to a reduction of five percent of a state's TANF block grant. These new requirements are effective October 1, 2006.

Background

The original welfare reform legislation signed in 1996 replaced the Aid to Families with Dependent Children (AFDC) program with TANF. The new TANF program radically altered the basic tenets of welfare. Able-bodied recipients would no longer simply receive handouts, but would instead be required to work or prepare for work in exchange for benefits.

The 1996 welfare reform required states to move recipients towards work. States have to make sure that 50 percent of recipients participate in work activities. However, the law allows states to receive a "caseload reduction credit", recognizing that successful work programs cause welfare caseloads to drop. For example, if a state reduces its welfare caseload by 30 percent, its adjusted work participation rate requirement is only 20 percent (50 percent required work participation rate minus the 30 percent caseload reduction credit).

News of the Week

[LAUSD Takeover Bill Stalls](#)

[Antelope Valley Fair Begins](#)

[Universal Healthcare Arises as Session Comes to an End](#)

[State Assembly Passes Ban on Negative Teaching of Sexual Orientation](#)

[LAUSD Bill Called Unconstitutional](#)

[Jill Stewart: Proliferation of Silly Bills](#)

[Expanding State's Safe Haven Law](#)

[Governor's Million Solar Roofs Plan Signed Into Law](#)

As most states experienced dramatic caseload declines, the caseload reduction credit virtually eliminated the work participation rate requirements for most states. Table 1, which shows California's work participation rates from 2001 through 2005, illustrates this phenomenon.

Table 1: California's Work Participation Rate (WPR)

	2001	2002	2003	2004	2005
Required WPR	45.0%	50.0%	50.0%	50.0%	50.0%
Caseload Reduction Credit (CRC)	38.6%	43.3%	44.2%	46.1%	44.9%
Adjusted WPR	6.4%	6.7%	5.8%	3.9%	5.1%
Actual WPR	25.9%	27.3%	24.0%	23.1%	23.9%

In an absurd way, welfare reform was too successful. Caseloads dropped far more rapidly than expected. As a consequence, states' efforts to reduce dependency and increase employment came to a standstill. For the last four years, the national TANF caseload has remained virtually unchanged.

The TANF reauthorization attempts to jump start states' efforts to move recipients to work. While the new law maintains the same 50 percent work participation rate requirement, it recalibrates the base year for calculating the CRC. The CRC will now be calculated using 2005 caseload levels. In other words, if California does not reduce its CalWORKS caseload below 2005 levels, its caseload reduction credit will be zero. California now must engage a significantly higher percentage of its caseload in work or work preparation activities, or face the possibility of losing TANF funding.

The Challenge: Improve Work Participation Rates

As previously mentioned, California must improve its work participation rate or face penalties and loss of TANF funding. The Legislative Analyst's Office states that a five percent penalty would be approximately \$173 million annually. What is California doing to get CalWORKS recipients to work and avoid loss of federal funds?

The recently signed 2006-07 budget contains several new initiatives designed to improve California's work participation rate and assist CalWORKS families in achieving self-sufficiency, including:

- **CalWORKS Improvement Initiative** – The budget contains \$90 million for counties to implement strategies to improve their work participation rates based on local needs assessments. Counties are required to submit comprehensive plans to implement specific activities designed to improve work participation.
- **Pay for Performance** – The budget includes an incentive program that rewards counties

that meet specific CalWORKS program outcomes. Current year performance will be measured against the previous year (2005-06). Incentive payments will be based on employment rates, modified work participation rates, and job retention rates.

- County Administrative Augmentation – The budget contains \$140 million in recognition that counties need to dedicate more resources to case management, transportation, and employment services in order to increase work participation rates.

Additionally, in response to the passage of the federal legislation, the Department of Social Services (DSS) convened a TANF Reauthorization Stakeholder Workgroup earlier this year. The workgroup has been meeting regularly to assess the implications of the federal regulations and the state's statutory response.

Conclusion

While the new work participation rate requirements become effective October 1, 2006, they allow for a one-year implementation period as long as the state submits its work verification plan by October 1, 2006. However, California cannot wait until the last minute to make achieving its work participation rates a priority. Both the Governor and the Legislature must take an active continued interest in this endeavor. To do otherwise will place hundreds of millions of dollars in federal funding at risk.

**If you would like to contact Senator Runner, please click
here: [Email](#) - [Website](#)**

OFFICES

Capitol

State Capitol, Room 4066
Sacramento, CA 95814
Phone: 916-651-4017
Fax: 916-445-4662

Antelope Valley

848 W. Lancaster Blvd, Ste 101
Lancaster, CA 93534
Phone: 661-729-6232
Fax: 661-729-1683

Victorville

Victorville City Hall
14343 Civic Drive, First Floor
Victorville, CA 92392
Phone: 760-843-8414
Fax: 760-843-8348

Santa Clarita – San Fernando Valley – Ventura County

Santa Clarita City Hall
23920 Valencia Blvd., Suite 250
Santa Clarita, CA 91355
Phone: 661-286-1471 Santa
Clarita Valley
Phone: 661-286-1472 San
Fernando Valley & Ventura County
Fax: 661-286-2543

